

CITY OF GRAND JUNCTION
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	5-6
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 9-10
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Governmental Funds	B 11
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Proprietary Funds	C 12
Notes to Financial Statements	14-18
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental and Proprietary Funds	20-21
Notes to Required Supplementary Information – Budgetary Reporting	22
Other Supplementary Information:	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 24-25
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2 26
Schedule of Indebtedness	3 27-28
Note Maturities	4 29
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5 30
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting	32-33
Schedule of Findings	34-38

City of Grand Junction

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leo Kersey	Mayor	Jan 2006
Jerry Herrick	Council Member	Jan 2008
Cindy Anderson	Council Member	Jan 2006
Robert Strabley	Council Member	Jan 2006
Ellis Herrick	Council Member	Jan 2006
Bill Kafer	Council Member	Jan 2008

City of Grand Junction

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grand Junction, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Grand Junction's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to distribution by fund of the total fund balance at July 1, 2003.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2003, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grand Junction as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1. However, the primary government financial statements, because they do not include the financial data of the component unit of the City of Grand Junction do not purport to, and do not, present fairly the results of the cash transactions of the City of Grand Junction as of and for the year ended June 30, 2004, on the basis of accounting described in Note 1.

As described in Note 10, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and

Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2004 on our consideration of the City of Grand Junction's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Budgetary comparison information on pages 20 through 22 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Junction's basic financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

December 8, 2004
Ames, Iowa

City of Grand Junction

Basic Financial Statements

City of Grand Junction

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2004

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions, and Restrictred Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 53,986	1,000	-	-
Public works	110,302	45,384	80,289	10,540
Culture and recreation	50,786	17,551	-	-
Community and economic development	26,533	-	-	-
General government	44,123	-	-	-
Total governmental activities	285,730	63,935	80,289	10,540
Business type activities:				
Recycling	12,737	8,608	-	-
Sewer	227,964	83,786	-	-
Solid waste	4,940	7,295	-	-
Total business type activities	245,641	99,689	-	-
Total	\$ 531,371	163,624	80,289	10,540
General Receipts:				
Property tax levied for:				
General purposes				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Rent				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(52,986)	-	(52,986)
25,911	-	25,911
(33,235)	-	(33,235)
(26,533)	-	(26,533)
(44,123)	-	(44,123)
(130,966)	-	(130,966)
-	(4,129)	(4,129)
-	(144,178)	(144,178)
-	2,355	2,355
-	(145,952)	(145,952)
(130,966)	(145,952)	(276,918)
134,310	-	134,310
3,550	-	3,550
636	-	636
1,929	-	1,929
5,621	-	5,621
890	-	890
(133,677)	133,677	-
13,259	133,677	146,936
(117,707)	(12,275)	(129,982)
290,115	105,970	396,085
\$ 172,408	93,695	266,103
\$ 101,879	-	101,879
39,163	-	39,163
31,366	93,695	125,061
\$ 172,408	93,695	266,103

City of Grand Junction
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2004

	General	Special Revenue Road Use Tax	Other Nonmajor Governmental Funds	Total
Receipts:				
Property tax	\$ 86,658	-	47,652	134,310
Licenses and permits	1,355	-	-	1,355
Use of money and property	2,203	-	362	2,565
Intergovernmental	11,065	80,289	10,540	101,894
Charges for service	50,692	-	-	50,692
Miscellaneous	9,934	-	60	9,994
Total receipts	161,907	80,289	58,614	300,810
Disbursements:				
Operating:				
Public safety	49,497	-	4,489	53,986
Public works	45,017	62,819	2,466	110,302
Culture and recreation	48,025	-	2,761	50,786
Community and economic development	9,087	-	17,446	26,533
General government	18,494	-	25,629	44,123
Total disbursements	170,120	62,819	52,791	285,730
Excess (deficiency) of receipts over (under) disbursements	(8,213)	17,470	5,823	15,080
Other financing sources (uses):				
Sale of fixed assets	890	-	-	890
Operating transfers out	-	-	(133,677)	(133,677)
Total other financing sources (uses)	890	-	(133,677)	(132,787)
Net change in cash balances	(7,323)	17,470	(127,854)	(117,707)
Cash balances beginning of year	14,921	84,409	190,785	290,115
Cash balances end of year	\$ 7,598	101,879	62,931	172,408
Cash Basis Fund Balances				
Reserved:				
Special revenue funds	\$ -	-	39,163	39,163
Unreserved:				
General fund	7,598	-	-	7,598
Special revenue funds	-	101,879	23,768	125,647
Total cash basis fund balances	\$ 7,598	101,879	62,931	172,408

See notes to financial statements.

City of Grand Junction
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds		
	Sewer	Other Nonmajor Proprietary Funds	Total
Operating receipts:			
Charges for service	\$ 83,786	15,903	99,689
Operating disbursements:			
Business type activities	178,552	17,677	196,229
Excess (deficiency) of operating receipts over (under) operating disbursements	(94,766)	(1,774)	(96,540)
Non-operating receipts (disbursements):			
Debt service	(49,412)	-	(49,412)
Excess (deficiency) of receipts over (under) disbursements	(144,178)	(1,774)	(145,952)
Operating transfers in	133,677	-	133,677
Net change in cash balances	(10,501)	(1,774)	(12,275)
Cash balances beginning of year	82,057	23,913	105,970
Cash balances end of year	\$ 71,556	22,139	93,695
Cash Basis Fund Balances			
Unreserved	\$ 71,556	22,139	93,695

See notes to financial statements.

City of Grand Junction

City of Grand Junction
Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Grand Junction is a political subdivision of the State of Iowa located in Greene County. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer, recycling, and solid waste services.

A. Reporting Entity

For financial reporting purposes, the City of Grand Junction has included all funds, organizations, agencies, boards, commissions and authorities, except for Grand Junction Municipal Light and Water. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present the City of Grand Junction (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Grand Junction Municipal Light and Water

Grand Junction Municipal Light and Water (Utilities) is governed by a five member board of trustees appointed by the Mayor and approved by the City Council. Title to all property of the Utilities is held in the name of the City. A financial benefit/burden relationship exists between the City and Utilities in that the City is authorized by statute to issue general obligation debt for a city utility, and may certify taxes for the payment of the debt.

Jointly Governed Organizations

The City participates in one jointly governed organization that provides goods or services to the citizenry of the City but does not meet the criteria of a joint

venture since there is no ongoing financial interest or responsibility by the participating governments. A City official is a member of the Greene County Recycling Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for street maintenance.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Grand Junction maintains its financial records on the basis of cash receipts and disbursements and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development, general government, and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	General Obligation Notes	
	Principal	Interest
2005	\$ 40,000	13,237
2006	40,000	12,098
2007	40,000	10,817
2008	40,000	9,418
2009	45,000	7,897
2010-2012	140,000	12,555
Total	\$ 345,000	66,022

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2004 was \$4,649, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation pay as of June 30, 2004 could not be determined because the City does not have updated records.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Enterprise:	Special Revenue:	
Sewer Rental	Community Development Block Grant	\$ 133,677

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$1,060 during the year ended June 30, 2004

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past year.

(9) Landfill

The City pays the Boone County Landfill an annual per capita fee for use of the landfill.
They paid a total of \$4,820 during the fiscal year ended June 30, 2004.

(10) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Required Supplementary Information

City of Grand Junction
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 134,310	-
Other city tax	-	-
Licenses and permits	1,355	-
Use of money and property	2,565	-
Intergovernmental	101,894	-
Charges for service	50,692	99,689
Miscellaneous	9,994	-
Total receipts	<u>300,810</u>	<u>99,689</u>
Disbursements:		
Public Safety	53,986	-
Public Works	110,302	-
Culture and recreation	50,786	-
Community and economic development	26,533	-
General government	44,123	-
Debt Service	-	49,412
Capital projects	-	-
Business type activities	-	196,229
Total disbursements	<u>285,730</u>	<u>245,641</u>
Excess (deficiency) of receipts over (under) disbursements	15,080	(145,952)
Other financing sources (uses), net	<u>(132,787)</u>	<u>133,677</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(117,707)	(12,275)
Balances beginning of year	<u>290,115</u>	<u>105,970</u>
Balances end of year	<u><u>\$ 172,408</u></u>	<u><u>93,695</u></u>

See accompanying independent auditors' report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
134,310	120,377	120,377	13,933
-	3,243	3,243	(3,243)
1,355	1,300	1,300	55
2,565	2,300	2,300	265
101,894	99,725	83,800	18,094
150,381	125,060	134,274	16,107
9,994	-	-	9,994
400,499	352,005	345,294	55,205
53,986	62,500	67,024	13,038
110,302	69,000	134,238	23,936
50,786	63,400	50,332	(454)
26,533	-	10,000	(16,533)
44,123	40,600	29,489	(14,634)
49,412	-	-	(49,412)
-	-	33,780	33,780
196,229	115,700	230,952	34,723
531,371	351,200	555,815	24,444
(130,872)	805	(210,521)	79,649
890	-	10,540	(9,650)
(129,982)	805	(199,981)	69,999
396,085	466,773	392,494	3,591
266,103	467,578	192,513	73,590

City of Grand Junction

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted receipts by \$6,711 and increased budgeted disbursements by \$204,615. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development, general government and debt service functions.

Other Supplementary Information

City of Grand Junction

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Special			
	Insurance	Employee Benefits	Community Development Block Grant	Lint Fire
Receipts:				
Property tax	\$ 16,877	30,775	-	-
Use of money and property	-	-	-	61
Intergovernmental	-	-	10,540	-
Miscellaneous	-	-	-	-
Total receipts	16,877	30,775	10,540	61
Disbursements:				
Operating:				
Public safety	-	2,256	-	-
Public works	-	2,466	-	-
Culture and recreation	-	2,532	-	-
Community and economic development	-	-	17,446	-
General government	8,095	17,534	-	-
Total disbursements	8,095	24,788	17,446	-
Excess (deficiency) of receipts over (under) disbursements	8,782	5,987	(6,906)	61
Other financing sources (uses):				
Operating transfers out	-	-	(133,677)	-
Total other financing sources (uses)	-	-	(133,677)	-
Net change in cash balances	8,782	5,987	(140,583)	61
Cash balances beginning of year	1,171	2,274	140,583	10,957
Cash balances end of year	\$ 9,953	8,261	-	11,018
Cash Basis Fund Balances				
Reserved:				
Special revenue funds	\$ -	-	-	11,018
Unreserved:				
Special revenue funds	9,953	8,261	-	-
Total cash basis fund balances	\$ 9,953	8,261	-	11,018

See accompanying independent auditors' report.

Revenue			
Lint Police	Gillette	Park Improvement	Total
-	-	-	47,652
61	209	31	362
-	-	-	10,540
-	-	60	60
61	209	91	58,614
-	2,233	-	4,489
-	-	-	2,466
-	-	229	2,761
-	-	-	17,446
-	-	-	25,629
-	2,233	229	52,791
61	(2,024)	(138)	5,823
-	-	-	(133,677)
-	-	-	(133,677)
61	(2,024)	(138)	(127,854)
6,262	23,846	5,692	190,785
6,323	21,822	5,554	62,931
6,323	21,822	-	39,163
-	-	5,554	23,768
6,323	21,822	5,554	62,931

City of Grand Junction

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise		
	Solid		
	Recycling	Waste	Total
Receipts:			
Charges for service	\$ 8,608	7,295	15,903
Disbursements:			
Operating:			
Business type activities	12,737	4,940	17,677
Net change in cash balances	(4,129)	2,355	(1,774)
Cash balances beginning of year	10,391	13,522	23,913
Cash balances end of year	\$ 6,262	15,877	22,139
Cash Basis Fund Balances			
Unreserved:			
Enterprise	\$ 6,262	15,877	22,139

See accompanying independent auditors' report

City of Grand Junction
Schedule of Indebtedness
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes: Corporate purpose	Dec. 1, 2002	2.00-4.50%	\$ 400,000

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
380,000	-	35,000	345,000	14,113	-

City of Grand Junction

Note Maturities

June 30, 2004

Year Ending June 30,	General Obligation Notes	
	Corporate Purpose	
	Issued Dec. 1, 2002	
	Interest Rates	Amount
2005	2.85%	\$ 40,000
2006	3.20	40,000
2007	3.50	40,000
2008	3.80	40,000
2009	4.00	45,000
2010	4.20	45,000
2011	4.35	45,000
2012	4.50	50,000
Total		<u>\$ 345,000</u>

See accompanying independent auditors' report.

City of Grand Junction
 Schedule of Receipts By Source and Disbursements By Function -
 All Governmental Funds
 For the Last Year

	<u>2004</u>
Receipts:	
Property tax	\$ 134,310
Licenses and permits	1,355
Use of money and property	2,565
Intergovernmental	101,894
Charges for service	50,692
Miscellaneous	<u>9,994</u>
Total	<u><u>\$ 300,810</u></u>
Disbursements:	
Operating:	
Public safety	\$ 53,986
Public works	110,302
Culture and recreation	50,786
Community and economic development	26,533
General government	<u>44,123</u>
Total	<u><u>\$ 285,730</u></u>

See accompanying independent auditors' report.

City of Grand Junction

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Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Grand Junction, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 8, 2004. Our report expressed a qualified opinion on the financial statements since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2003. Except as noted in the Independent Auditors' Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Grand Junction's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior statutory comments have been resolved except for item III-B-04, III-E-04, and III-I-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Grand Junction's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Grand Junction's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior reportable conditions have not been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Grand Junction and other parties to whom the City of Grand Junction may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Grand Junction during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

December 8, 2004
Ames, Iowa

City of Grand Junction

Schedule of Findings

Year ended June 30, 2004

Part I: Summary of the Independent Auditors' Results:

- (a) A qualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including one material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Grand Junction

Schedule of Findings

Year ended June 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- II-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that most functions are not segregated due to the limited size of the office staff.

Recommendation – We realize segregation of duties is difficult with only one employee. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-04 Invoices – Invoices were not properly cancelled to prevent reuse.

Recommendation – The City should mark invoices “paid” to prevent duplicate payments from occurring.

Response – We will do so in the future.

Conclusion – Response accepted.

City of Grand Junction

Schedule of Findings

Year ended June 30, 2004

Part III: Other Findings Related to Statutory Reporting:

- III-A-04 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2004.

Recommendation – The City should take the necessary measures to comply with their depository resolution.

Response – We will do so.

Conclusion – Response accepted.

- III-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the culture and recreation, community and economic development, general government and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation. Also, amounts in the "budget as last certified" column on the amended budget do not match the original budget.

Recommendation – Although the budget was amended, budgeted disbursements should have been increased in sufficient amounts so that the budgeted disbursements would not have been exceeded. The City should contact the proper agencies to determine the disposition of the budget amendment discrepancies.

Response – The budget will be amended by the appropriate amounts in the future, if applicable and we will contact the proper agency to determine how to correct the amended budget for the errors.

Conclusion – Response accepted.

- III-C-04 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- III-D-04 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

-
- III-E-04 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Kafer Truck, owned by son of Council Member and grandson of Mayor	Repairs and maintenance	\$ 1,060

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the above individual do not appear to represent a conflict of interest since total transactions with the individual were less than \$2,500 during the fiscal year.

- III-F-04 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- III-G-04 Council Minutes – Although the Council approves monthly disbursements they do not maintain adequate documentation of their approval.

Recommendation – The Council should maintain written documentation of which disbursements they approve at each meeting.

Response – We will do so.

Conclusion – Response accepted.

- III-H-04 Debt Service Fund – General obligation note payments were not made from a Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.

Recommendation – In the future, all general obligation debt payments should be paid from the Debt Service Fund.

Response – We will do so.

Conclusion – Response accepted.

- III-I-04 Compensated Absences – The City is not maintaining adequate records for built up vacation time.

Recommendation – The City should establish a record keeping system to allow the City to determine how much unused vacation time should be paid to employees upon separation from the City.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

- III-J-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- III-K-04 Annual Gross Salaries – Annual gross salaries were not published as required by Chapter 372.13 of the Code of Iowa and an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should publish annual gross salaries, as required.

Response – We will do so.

Conclusion – Response accepted.

- III-L-04 Check Images – Check images were not retained in accordance with Chapter 554D.114(5) of the Code of Iowa. The City only receives images of the fronts of the checks, not the backs as required.

Recommendation – The City should comply with Chapter 554D.114(5) of the Code of Iowa.

Response – We will do so.

Conclusion – Response accepted.

- III-M-04 Sales Tax – The City is not properly assessing sales tax as required by Chapter 422 of the Code of Iowa. They are not collecting and remitting sales tax on pool admissions.

Recommendation – The City should contact the Iowa Department of Revenue and Finance to determine how to correct this matter and the City should comply with Chapter 422 in the future.

Response – We will do so.

Conclusion – Response accepted.